

# Carrots, Not Sticks: Harnessing the Local Economy and Using Incentives to Protect Natural Areas in the Southern Gulf Islands

*Linda Adams*  
*Islands Trust*

## Abstract

This presentation will focus on the use of voluntary and incentive-based tools to protect the natural environment of the islands in the Georgia Basin. It will demonstrate how such tools can result in the protection of significant land areas, enhance community sustainability, reduce regulatory burdens and engender citizen support for local government efforts. The Islands Trust is a federation of local governments with a provincial mandate (from the Islands Trust Act) to “preserve and protect the natural environment and unique amenities” of the Georgia Basin islands, for the benefit of both local residents and the province generally. It is focusing on tools that harness local economic development and use incentives to protect natural areas in the Islands Trust Area.

The Natural Area Protection Tax Exemption Program is a pilot program that uses tax shifting to encourage natural area protection. Under the program, the Islands Trust Council will issue certificates that significantly reduce property taxes for those landowners willing to protect natural features on their property.

Some Official Community Plans within the Islands Trust Area have established frameworks for the large scale Transfer of Development Potential in order to protect natural areas and create more sustainable clustered settlement patterns. Over 120 ha of significant natural features on one island have now been protected. The system is being considered to partially reimburse provincial costs of parkland acquisition on Salt Spring Island.

Other island communities are expanding upon provisions for Amenity Zoning in the Local Government Act in innovative ways to exchange bonus development for large scale natural area protection.

## Extended Abstract

The Islands Trust is a federation of local governments responsible for land-use planning on BC’s coastal islands. These local governments have a unique provincial mandate (from the *Islands Trust Act*) to “preserve and protect the natural environment and unique amenities” of the Georgia Basin islands, for the benefit of both local residents and the province generally. The Islands Trust was created by British Columbia in 1974 in recognition of significant development pressures on the islands that threatened their natural environment and small communities.

The local governments within the Islands Trust Area (shown by green outline on the map below) are using a variety of incentive-based planning tools to protect the natural environment. The aim is to protect significant ecosystems, enhance community sustainability, reduce regulatory burdens and engender citizen support for local government efforts. The two planning tools presented are the Natural Area Tax Exemption Program and the Transfer of Development Potential.

## Islands Trust Natural Area Tax Exemption Program

### Background

The Natural Area Protection Tax Exemption Program is a pilot program that uses tax shifting to encourage natural area protection. While the Islands Trust has a special mandate for environmental protection, 95% of land in the Trust Area is privately held and the Islands Trust has no special planning tools related to its mandate. The BC Assessment Authority classifies most land as residential for tax purposes even if it is not developed. Land is assessed on its ‘highest and best use’ and taxed on its potential for development. This has led to increased property taxes, and encourages development to the highest use, contrary to the Islands Trust mandate. In some cases, property owners have logged their property to pay their taxes. Current taxation policies do not recognize the benefits that natural areas contribute to society.



**Figure 1.** British Columbia's Coastal Islands.



**Figure 2.** The Islands Trust Area.



**Figure 3.** Eroded Sandstone on Galiano Island.

### **Development of the Program**

In response to this situation, the Islands Trust worked with the provincial government to develop tax incentives for natural area protection. This has resulted in amendments to the *Islands Trust Act* and the *Islands Trust Natural Area Protection Tax Exemption Regulation*, enacted by the province in April 2002. The program is in development in cooperation with the Sunshine Coast Regional District, which signed a formal agreement with the Islands Trust in November 2002.

Under the program, the Islands Trust Council issues certificates that reduce provincial property taxes for those landowners willing to protect natural features on all or a portion of their property. The certificates are recognized by the BC Assessment Authority and result in a 65% reduction in property tax for the portion of a property protected.

### **Eligible Natural Features**

Only specific natural features are eligible for protection under the program. They must be relatively undisturbed by human activity and be:

- Specific ecosystems, such as those identified by the BC Conservation Data Centre in its Sensitive Ecosystem Inventory
- Key habitat for rare plants
- Critical habitat for native wildlife
- Geological features such as
  - Fossil bearing rocks
  - Eroded sandstone
  - Waterfalls
  - Mineral Springs
  - Caves
  - Glacial erosion and deposition features

- Shoreline deposition features
- Historical natural features such as
  - Culturally modified trees
  - Heritage orchards
- Social or recreational natural features such as
  - Trails that provide access through natural areas
  - Outstanding viewpoints
  - Distinctive natural landscapes
  - Highly visible natural landscapes
  - Land that provides access to natural areas or parks

### Legal Protection

To be eligible for the program, property owners must be willing to protect natural areas with a conservation covenant, registered on their property title pursuant to Section 219 of the *Land Titles Act*. They are also responsible for providing a baseline study, prepared by a qualified professional, and for annual monitoring of the protected area.

### Property Tax Reduction

Reductions in property taxes related to the program can be significant. The Islands Trust worked with the BC Assessment Authority to develop some case studies to illustrate these reductions. Table 1 indicates some of the projected changes in property taxes.

**Table 1.** Examples of tax savings due to Natural Area Protection Tax Exemption Program.

Size of property (acres)	% of property protected	2002 Assessed value (\$)	Tax Exemption (\$)	One year savings (\$)
127	91	826,000	488,579	3829.53
186	25	732,000	118,950	932.34
25	48	494,000	154,128	1208.07
169	94	1,631,000	996,541	7810.99
18	79	171,000	87,808	688.25
1	50	49,800	16,185	126.86
9	90	208,000	121,680	953.74
20	50	450,000	150,000	828.00

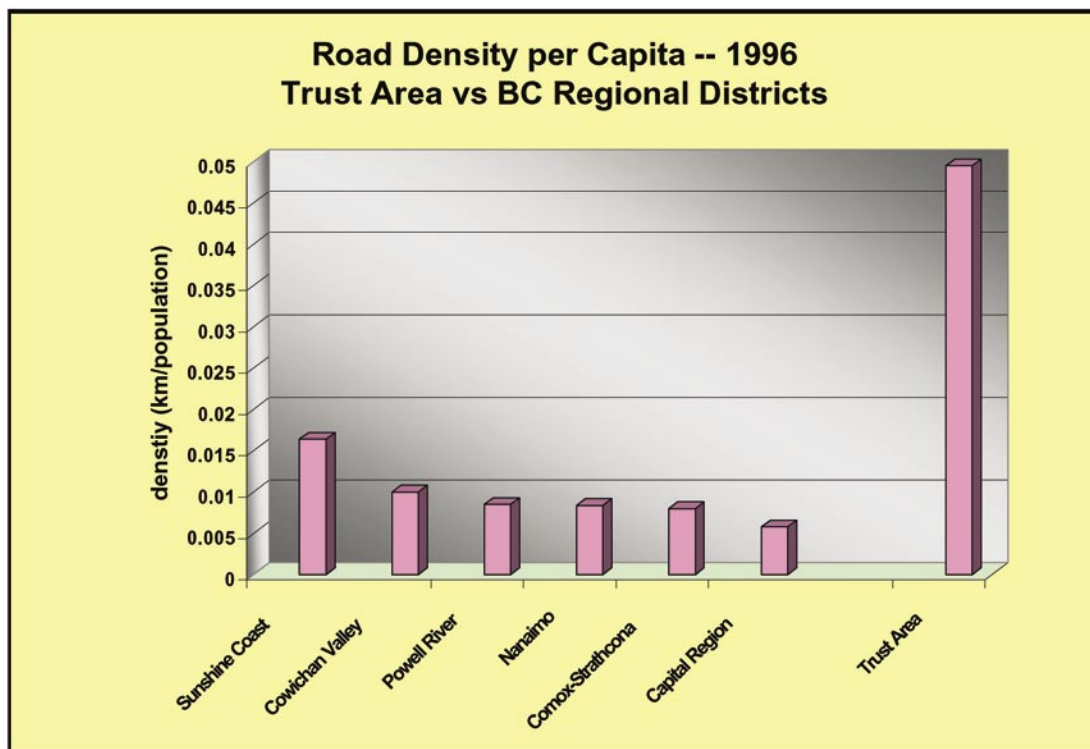
### Provincial Implications of Tax Shifting

Reductions in property taxes that result from the program will result in a marginal increase in taxes for other property owners in BC. Estimates indicate that if 50 4-hectare properties were protected with annual tax reductions of approximately C\$800.00 each, that general BC taxpayers would have a tax increase of approximately C\$0.014. The program offers a very cost-effective way to protect natural areas, compared to other mechanisms such as land purchase for park creation.

### Transfer of Development Potential

#### Background

Many of the islands in the Islands Trust Area have land-use zoning that encourages low-density rural sprawl. Low-density development and roads are fragmenting natural areas. Due to historical zoning arrangements, settlement often takes place in inappropriate areas such as forested and high elevation lands, community watersheds and sensitive



**Chart 1.** Road density per capita in the Islands Trust Area.

ecosystems. As indicated in Chart 1 from the Islands Trust sustainability indicator program, the Islands Trust Area has one of the highest ratios of roads per capita in BC.

The Salt Spring Island community has developed a planning tool to address this situation through voluntary transfers of development potential between property owners.

### **Salt Spring Island Official Community Plan Policies**

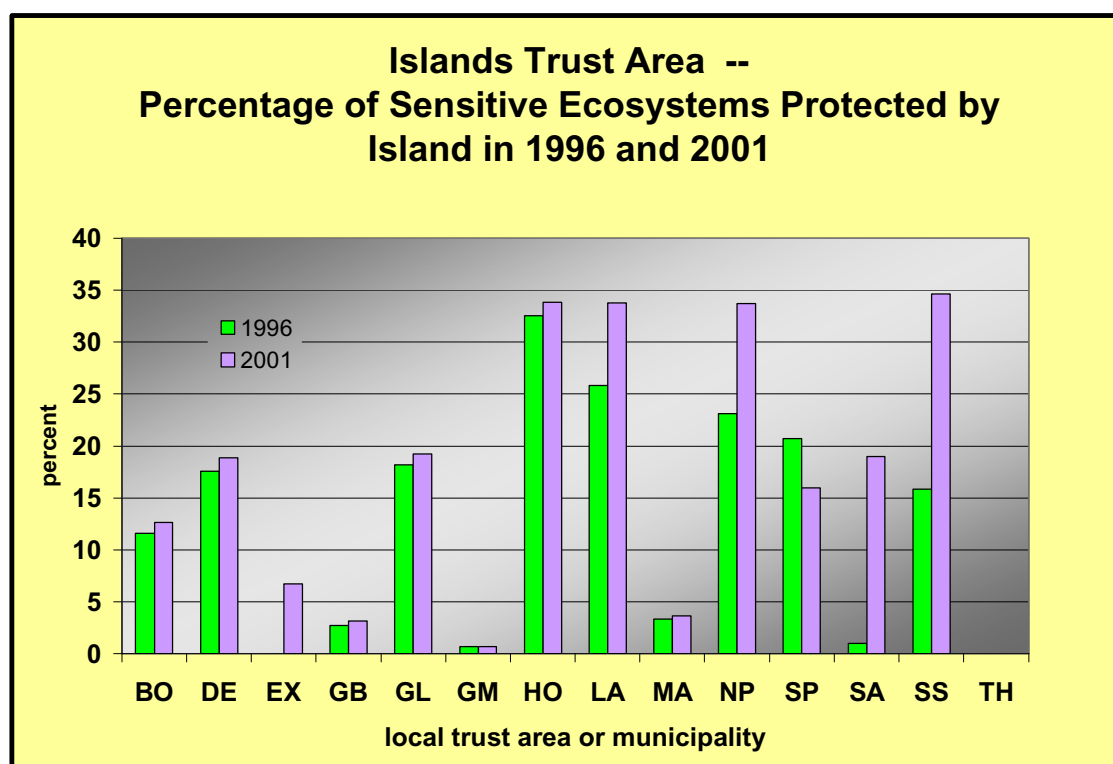
The Salt Spring Island Official Community Plan includes policies that identify Development Potential Donor Areas and Development Potential Receiving Areas. It also includes policies about the transfer of Development Potential. Receiving Areas are allocated a maximum density that can be achieved through such transfers. Once development potential is transferred from a property, the Donor Area must be protected from further development or tree cutting by a conservation covenant.

### **Transfer Mechanism**

Development potential is transferred through a rezoning application, made jointly by the Donor and Receiving property owners. The Donor property is 'down-zoned' and the Receiving Property is 'up-zoned', through one amendment to the local zoning bylaw. Property owners enter into a private arrangement whereby the 'receiving' property owner compensates the 'donor' property owner.

### **Progress to Date**

The Transfer of Development Potential mechanism has been successful since its introduction in 1998. One 50-hectare park was created and an additional 60 hectares are now protected by conservation covenant. The program also provided an incentive for the province to create a new provincial park on Salt Spring Island. As indicated in Chart 2 from the Islands Trust's sustainability indicator program, the protection of sensitive ecosystems on Salt Spring Island has increased in the 1996-2001 period (on this chart, 'SS' stands for Salt Spring Island). Part of this increase is attributed to the Transfer of Development Potential mechanism.



**Chart 2.** Percentage of Protection of Sensitive Ecosystems in the Islands Trust Area.

### Lessons Learned and Challenges

Transfer of Development Potential works best in communities with a strong history of growth management policies. On Salt Spring Island, few zoning amendments have been approved if they would result in increased development density. The program was designed in consultation with the local development community. It depends on an active real estate market, and requires a firm framework in advance of applications to ensure community objectives are achieved.

Challenges include a cumbersome rezoning mechanism, which can be lengthy for applicants. Community objections to applications are centred on the density 'receiving' area. Objections must be addressed through good site planning and evaluation that ensures lot layouts, road networks and water supply arrangements to minimize neighbourhood impacts.

### References

Islands Trust Act [http://www.qp.gov.bc.ca/statreg/stat/I/96239\\_01.htm](http://www.qp.gov.bc.ca/statreg/stat/I/96239_01.htm)

Islands Trust, 2002, Measuring our Progress, Draft Report – December 2002, unpublished manuscript, Islands Trust, Victoria, B.C.

Islands Trust Natural Area Protection Tax Exemption Regulation [http://www.qp.gov.bc.ca/statreg/reg/I/41\\_2002.htm](http://www.qp.gov.bc.ca/statreg/reg/I/41_2002.htm)

Salt Spring Island Official Community Plan

<http://www.islandstrust.bc.ca/islandgovernments/saltspring/bylaws/adopted/ssibylbaseocpvolume20345.pdf>